

*Amended Motion of Ambac Assurance Corporation, Financial Guaranty Insurance Company,  
Assured Guaranty Corp., Assured Guaranty Municipal Corp., and U.S. Bank Trust National  
Association, Concerning Application of the Automatic Stay to the Revenues Securing PRIFA  
Rum Tax Bonds*

## **EXHIBIT 18**



Puerto Rico

## Puerto Rico Legislature Passes \$8.78B Fiscal 2017 General Fund Budget

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Late Thursday, Puerto Rico lawmakers approved a \$8.78 billion general fund budget for fiscal 2017 and a raft of other fiscal measures to close out the current fiscal year and final regular legislative session of the four-year term.

Passage came hours after President Obama enacted the Puerto Rico Oversight, Management and Economic Stability Act, or PROMESA, which empowers a federal control board to, among other tasks, sign off on four consecutive balanced budgets.

Office of Management and Budget Director Luis Cruz said that the fiscal 2017 budget is balanced and is the first based on Treasury Department revenue estimates that were run through a third party, Conway MacKenzie, to gauge their "reasonableness."

"PROMESA was signed and the control board is coming, but we still have to pass budgets and operate the government," Cruz told Reorg Research at the Capitol. He said the budget does not earmark funds for the fiscal control board.

The general fund budget is less than the \$9.1 billion proposed by Gov. Alejandro Garcia Padilla, as lawmakers moved more than \$100 million to a \$451 million debt payment fund being created outside of the general fund under House Bill 2959, which is also going to the governor. The fund will go toward covering interest payments on general obligation bonds (\$370 million), Public Buildings Authority bonds (\$80 million) and Government Development Bank bonds (\$1 million) backed by the full faith and credit of the commonwealth due in fiscal 2017. The \$451 million is more than double the \$209 million proposed by the governor.

House Bill 2959 targets pledged revenues being clawed back by the commonwealth to fill the \$451 million debt service fund: Hotel room taxes (\$30 million); crudita, vehicle registrations, others (\$308 million); and rum tax rebates (\$113 million).

Lawmakers also agreed on substantial increases in additional uniform contributions to the public pension system. Under House Bill 2959, the Employee Retirement System would get \$150 million more while the Teacher Retirement System would get a \$100 million boost. Another \$180 million would be diverted to the ERS from non-pledged revenue including the latest hike to the petroleum tax, known as the crudita. The measure also adopts Popular Democratic Party gubernatorial candidate David Bernier's proposal to use 15% of revenue brought in through special laws and create a loan program outside of the system to shore up funding.

Some \$200 million has been identified for a reserve fund to pare accounts payable to government suppliers as the commonwealth slowed payments to contractors in fiscal 2016 amid a range of moves to protect liquidity.

House Bill 2864 would amend Law 21, the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act to limit the governor's debt payment moratorium powers and frame the new Puerto Rico Fiscal Agency and Financial Advisory Authority, or AAFAF, created under the statute.

House Treasury Committee Chairman Rafael "Tatito" Hernández said House Bill 2864, a final version of which was not yet available late Thursday, includes language that exempts from Law 21 any bonds that are covered by accords with creditors. Such accords, which could include forbearance deals through actual restructurings, would shield such credits from the governor's debt moratorium powers and lift moratoriums already declared.

Lawmakers are also sending to the governor House Bill 2964, which would compel the State Insurance Fund and two other public corporations to take on \$400 million in commonwealth tax revenue anticipation notes for a second straight year.

The legislature also cleared a compromise version of House Bill 2962, which would allow the Government Development Bank to write off as much as 40% of roughly \$4 billion in problem debt owed to the bank by commonwealth government instrumentalities. The balance would be bundled and paid off at 5% over 35 years. "There is no way for the GDB to loss reserve for \$4 billion in troubled loans," Hernández said. "By allowing a 40% write-off, this bill at least provides a way to pay the other 60%."

The general fund budget earmarks \$40 million for AAFAF for operations and to pay restructuring/legal advisors. The GDB is in line for \$22.5 million for operational costs.

Various efforts to open access to surplus municipal property tax revenue that has been deposited at the GDB were bundled into Senate Bill 1575, which passed both chambers on Thursday.

Also making it through was House Bill 2961, an administration measure that frees the commonwealth to alter previously legislated special assignments to reflect current fiscal limitations.

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